

Township of Grosse Ile

**Financial Report
with Supplemental Information
March 31, 2008**

Township of Grosse Ile

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A Professional Corporation

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Township of Grosse Ile, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Grosse Ile, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan, as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2008 on our consideration of the Township of Grosse Ile, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 48 through 51 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Grosse Ile, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hungerford & Co.

September 26, 2008

Township of Grosse Ile

Management's Discussion and Analysis

Our discussion and analysis of the Township of Grosse Ile's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2008. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended March 31, 2008:

- The financial report for the year ended March 31, 2008 reflects complete implementation of Governmental Accounting Standards Board Statement Number 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present both entity-wide financial reporting for all governmental and business activities in addition to reporting financial information at the fund level.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$1,132 this year, which represents a .13 percent decrease from the prior year.
- Property taxes are the Township's single largest source of revenue. The Township's taxable value for fiscal year 2007/2008 was \$666,769,030, which represents an increase of \$26,179,393, or 4.09 percent.
- The Township has historically been conservative and continuously monitors discretionary spending; as a result, the fund balance of the General Fund increased by \$165,685.
- In May 2007, the Township Board awarded the Township property and liability insurance policy to Daly Merritt, Inc. as agent of record for St. Paul Travelers. This change is providing a savings to the Township of approximately \$56,000 per year.
- In November 2007, the Township Board awarded the employee healthcare insurance policy to the Hylant Group, Inc. as agent of record for Blue Cross Blue Shield Community Blue. This change is providing a savings to the Township of approximately \$144,000 per year.
- As previously reported, the Township was engaged in litigation in Wayne County Circuit Court concerning the sanitary sewer system rehabilitation project with Walbridge and DeAngelis contractors. The amount sought was estimated to be in excess of \$3 million. In May 2008, this litigation was settled in the amount of \$897,844. After settlement, this project remains under budget in the amount of \$615,258, which is reported in the Department of Public Works, as of March 31, 2008.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets as of March 31, 2008 and 2007 (in thousands of dollars):

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 16,428	\$ 15,900	\$ 9,990	\$ 12,295	\$ 26,418	\$ 28,195
Noncurrent assets	32,830	32,265	69,727	64,484	102,557	96,749
Total assets	49,258	48,165	79,717	76,779	128,975	124,944
Liabilities						
Current liabilities	1,048	993	4,497	3,421	5,545	4,414
Long-term liabilities	4,274	4,497	41,398	43,528	45,672	48,025
Total liabilities	5,322	5,490	45,895	46,949	51,217	52,439
Net Assets						
Invested in capital assets -						
Net of related debt	28,540	27,502	26,880	19,544	55,420	47,046
Restricted	11,291	10,966	1,840	6,552	13,131	17,518
Unrestricted	4,105	4,207	5,102	3,734	9,207	7,941
Total net assets	\$ 43,936	\$ 42,675	\$ 33,822	\$ 29,830	\$ 77,758	\$ 72,505

The Township of Grosse Ile has combined net assets of \$77.8 million. Business-type activities comprise \$33.8 million of the total net assets.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the years ended March 31, 2008 and 2007 (in thousands of dollars):

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Net Assets - Beginning of year	<u>\$ 42,675</u>	<u>\$ 41,177</u>	<u>\$ 29,830</u>	<u>\$ 28,149</u>	<u>\$ 72,505</u>	<u>\$ 69,326</u>
Revenue						
Program revenue:						
Charges for services	1,275	1,280	5,264	5,209	6,539	6,489
Operating grants and contributions	325	215	-	-	325	215
Capital grants and contributions	-	-	2,403	315	2,403	315
General revenue:						
Property taxes	6,276	6,099	2,608	2,246	8,884	8,345
State-shared revenue	900	898	-	-	900	898
Unrestricted investment earnings	702	726	371	409	1,073	1,135
Transfers and other revenue	(57)	(58)	57	58	-	-
Total revenue	<u>9,421</u>	<u>9,160</u>	<u>10,703</u>	<u>8,237</u>	<u>20,124</u>	<u>17,397</u>
Program Expenses						
General government	2,993	2,704	-	-	2,993	2,704
Public safety	4,272	3,998	-	-	4,272	3,998
Public works	-	-	4,890	4,642	4,890	4,642
Municipal Airport and Commerce Park	-	-	1,288	1,391	1,288	1,391
Recreation and culture	655	700	533	523	1,188	1,223
Interest on long-term debt	240	260	-	-	240	260
Total program expenses	<u>8,160</u>	<u>7,662</u>	<u>6,711</u>	<u>6,556</u>	<u>14,871</u>	<u>14,218</u>
Change in Net Assets	<u>1,261</u>	<u>1,498</u>	<u>3,992</u>	<u>1,681</u>	<u>5,253</u>	<u>3,179</u>
Net Assets - End of year	<u>\$ 43,936</u>	<u>\$ 42,675</u>	<u>\$ 33,822</u>	<u>\$ 29,830</u>	<u>\$ 77,758</u>	<u>\$ 72,505</u>

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

Governmental Activities

The Township's total governmental revenues increased by approximately \$207,923. The increase, which represents less than 2.0 percent, was due primarily to a significant increase in Federal forfeiture funds in the amount of \$110,068 and a 50 percent match reimbursement from Wayne County for a road project in the amount of \$126,630 earned during the fiscal year, and the Township continuing to recognize an increase in property taxes. Several sources of revenue have decreased slightly from the prior year, the largest one includes Licenses and Permits in the amount of \$48,000, due to the decline in the building and housing market.

Expenses increased by about \$874,000 during the year, which was due to additional capital expenditures in the Road Improvement Fund of the West River Road ramp project.

Business-type Activities

The Township's business-type activities consist of the Department of Public Works, the Municipal Airport and Commerce Park, and the Water's Edge Country Club. The Department of Public Works Fund provides water to residents from the Detroit Water System. The Township provides sewage treatment through a Township-owned sewage treatment plant. Refuse collection and recycling services are provided by an outside commercial entity.

The operating revenue of the Department of Public Works' fund increased by 1.9 percent, even though the Township imposed a 5 percent rate increase for water usage and a 5 percent rate increase for sewer usage. This increase was passed to absorb the 8.3 percent increase from the City of Detroit for the fiscal year and to pay for current and future capital improvement infrastructure needs. The operating expenses increased by 1.8 percent, resulting in an overall operating net loss of \$11,250. The increase in expenses was due primarily to water purchased from the City of Detroit and increased personnel costs.

The Municipal Airport and Commerce Park Fund is used to account for the airport operations and the Commerce Park complex. In March 2004, the Grosse Ile Municipal Airport entered into a management agreement with John Shade, director, Grosse Ile Tennis Center to provide the management of tennis programs. Revenues from membership fees shall be placed in a separate account maintained by the Township and applied toward utility expenses and other expenses as deemed necessary. The revenues from court and lesson fees shall be allocated on the following percentage-of-gross basis: director 60 percent, airport 30 percent, and donors 10 percent. Revenues and expenses for this activity have been reported in this fund in the amounts of \$64,719 and \$34,289, respectively.

The operating revenue for this fund increased slightly and the operating expenses decreased by approximately 7.5 percent. The decrease in expenses resulted primarily from not replacing a retired maintenance operator. Operating loss was \$151,489 for the fiscal year.

The Water's Edge Country Club Fund accounts for the operations and maintenance of the golf

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

course, pool, and marina facilities. The facilities are open to the public on a membership and fee basis.

The operating revenue for this fund decreased by approximately 3.3 percent, and the operating expenses increased by approximately less than 2.3 percent. The decrease in revenue resulted primarily from the decline of usage of the golf facility and memberships. The increase in operating expenses is due to spending efforts to maintain and promote the facility to encourage usage. The two biggest factors affecting the golf course business are the weather and the economy. Operating loss was \$70,842 for the fiscal year. The Township continues to monitor this facility closely for feasibility. The Township is currently investigating alternative funding methods.

The Township's Funds

Our analysis of the Township's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, the Road Improvement Fund, and the Fire Operating Fund.

The General Fund pays for most of the Township's governmental services. The most significant are general administration and police operations, which incurred expenses of approximately \$1.806 and \$2.963 million, respectively, in the current year. The budget in the General Fund is basically a "maintenance" budget, which means it increases modestly from year to year.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget. The adjustment was made to state-shared revenue, providing a more conservative number based on the current economy in the state of Michigan. The Township Board's policy regarding the budget is to avoid making adjustments during the year so that the budget can be used as a financial guide to make financial decisions, and to analyze and maintain the validity of the budget document. As a result, the actual revenues and expenses are usually within 10 percent of budgeted amounts. Overall, the Township departments stayed below the original budget amounts, resulting in total expenditures and transfers of \$165,685 below budgets, however, due to reserve requirements for general fund's operating purposes, the General Fund's unreserved fund balance increased from \$918,128 a year ago to \$1,120,115 at March 31, 2008.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the Township had approximately \$102 million (net of depreciation) invested in a broad range of capital assets, including land, buildings, bike paths, roads, equipment, and water and sewer lines.

Township of Grosse Ile

Management's Discussion and Analysis (Continued)

Major capital improvements for the fiscal year included the West River Road ramp project, the rehabilitation of runway 4/22 at the Grosse Ile Municipal Airport, and the continuation of the sanitary sewer rehabilitation project.

In 2007/2008 the Township purchased two additional parcels of Open Space property in the amount of \$46,669, one of which was vacant tax reverted property purchased from Wayne County.

Economic Factors and Next Year's Budgets and Rates

Due to the extreme economic conditions that every local community is currently facing, the Township's 2008-2009 budget was prepared with the following criteria. First, operating millage revenues will be increased by 3 percent. This can be accomplished because of the strong growth in our tax base. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. Further, the Township incorporated a state-shared revenue to remain constant, a 15 percent increase in all employee health insurance premiums, and a 10 percent increase in liability insurance premiums. By limiting other categories of discretionary spending and revisiting how certain services are delivered, the Township was able to balance its budget for the 2008-2009 fiscal year.

As of September 1, 2008, water rates will increase by 20 percent and sewer rates will increase by 20 percent charged to Township residents. Due to rate increases in previous years, the Township Board felt that the Department of Public Works could absorb the 24.3 percent rate increase imposed by the Detroit Water Board by only increasing rates by 20 percent.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the finance department.

Township of Grosse Ile

Statement of Net Assets March 31, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 14,638,328	\$ 4,516,128	\$ 19,154,456	\$ 446,666
Restricted assets - Undrawn bond proceeds (Note 8)	-	615,258	615,258	-
Receivables - Net (Note 4)	1,022,745	-	1,022,745	3,145
Customer receivables	-	1,346,020	1,346,020	-
Internal balances (Note 6)	355,962	(355,962)	-	-
Due from other governmental units	340,931	1,979,306	2,320,237	-
Due from primary government	-	-	-	270,294
Inventories	11,716	49,695	61,411	-
Prepaid items and other assets	59,000	-	59,000	-
Restricted assets (Note 8)	-	1,839,636	1,839,636	-
Capital assets - Net (Note 5)	32,829,952	69,726,856	102,556,808	-
Total assets	49,258,634	79,716,937	128,975,571	720,105
Liabilities				
Accounts payable	281,867	2,139,269	2,421,136	949
Accrued and other liabilities	101,385	44,602	145,987	500
Deferred revenue (Note 4)	3,857	60,371	64,228	-
Customer deposits	-	89,073	89,073	-
Compensated absences:				
Due within one year	106,282	28,992	135,274	-
Due in more than one year	238,814	70,383	309,197	-
Long-term debt (Note 7):				
Due within one year	555,000	2,134,263	2,689,263	70,708
Due in more than one year	4,035,000	41,327,679	45,362,679	632,740
Total liabilities	5,322,205	45,894,632	51,216,837	704,897
Net Assets				
Invested in capital assets - Net of related debt	28,539,952	26,880,172	55,420,124	-
Restricted:				
Debt service	1,455,640	-	1,455,640	-
Other purposes (Note 11)	9,835,193	1,839,636	11,674,829	-
Unrestricted	4,105,644	5,102,497	9,208,141	15,208
Total net assets	\$ 43,936,429	\$ 33,822,305	\$ 77,758,734	\$ 15,208

Township of Grosse Ile

		Program Revenues		
		Charges for	Operating	Capital Grants
Expenses		Services	Grants and	and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,991,786	\$ 863,351	\$ 325,455	\$ -
Public safety	4,272,181	253,610	-	-
Cultural and recreation	654,776	157,576	-	-
Interest on debt	240,589	-	-	-
Total governmental activities	8,159,332	1,274,537	325,455	-
Business-type activities:				
Department of Public Works	4,890,489	3,764,682	-	-
Municipal Airport and Commerce Park	1,287,719	1,101,531	-	2,402,669
Water's Edge Country Club	532,071	397,998	-	-
Total business-type activities	6,710,279	5,264,211	-	2,402,669
Total primary government	<u>\$ 14,869,611</u>	<u>\$ 6,538,748</u>	<u>\$ 325,455</u>	<u>\$ 2,402,669</u>
Component units:				
Brownfield Authority	\$ 6,711	\$ -	\$ -	\$ -
Downtown Development Authority	118,456	-	-	-
Total component units	<u>\$ 125,167</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes
 State-shared revenues
 Unrestricted investment earnings
 Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended March 31, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (1,802,980)	\$ -	\$ (1,802,980)	\$ -
(4,018,571)	-	(4,018,571)	-
(497,200)	-	(497,200)	-
(240,589)	-	(240,589)	-
<u>(6,559,340)</u>	<u>-</u>	<u>(6,559,340)</u>	<u>-</u>
-	(1,125,807)	(1,125,807)	-
-	2,216,481	2,216,481	-
-	(134,073)	(134,073)	-
<u>-</u>	<u>956,601</u>	<u>956,601</u>	<u>-</u>
(6,559,340)	956,601	(5,602,739)	-
-	-	-	(6,711)
-	-	-	(118,456)
-	-	-	(125,167)
6,276,214	2,608,036	8,884,250	291,896
900,299	-	900,299	-
701,408	370,639	1,072,047	13,409
(57,443)	57,443	-	-
<u>7,820,478</u>	<u>3,036,118</u>	<u>10,856,596</u>	<u>305,305</u>
1,261,138	3,992,719	5,253,857	180,138
<u>42,675,291</u>	<u>29,829,586</u>	<u>72,504,877</u>	<u>(164,930)</u>
<u>\$ 43,936,429</u>	<u>\$ 33,822,305</u>	<u>\$ 77,758,734</u>	<u>\$ 15,208</u>

Township of Grosse Ile

Governmental Funds Balance Sheet March 31, 2008

	General Fund	Road Improvement Fund	Fire Operating Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,011,984	\$ 3,009,646	\$ 1,233,274	\$ 7,383,424	\$ 14,638,328
Receivables - Net	277,578	8,118	75,821	661,228	1,022,745
Due from other funds	508,974	-	-	74,681	583,655
Due from other governmental units	143,580	126,630	-	70,721	340,931
Inventories	8,128	-	3,588	-	11,716
Prepaid items and other assets	50,000	-	5,000	4,000	59,000
Total assets	\$ 4,000,244	\$ 3,144,394	\$ 1,317,683	\$ 8,194,054	\$ 16,656,375
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 180,915	\$ 3,978	\$ 31,418	\$ 65,556	\$ 281,867
Accrued and other liabilities	49,388	-	28,765	23,232	101,385
Due to other funds	12,742	300	6,918	207,733	227,693
Deferred revenue	-	-	-	501,503	501,503
Total liabilities	243,045	4,278	67,101	798,024	1,112,448
Fund Balances					
Reserved for debt service	-	-	-	1,455,640	1,455,640
Designated, reported in General Fund (Note 11)	2,637,084	-	-	-	2,637,084
Unreserved - Undesignated, reported in:					
General Fund	1,120,115	-	-	-	1,120,115
Special Revenue Funds	-	3,140,116	1,250,582	5,697,892	10,088,590
Capital Projects Funds	-	-	-	242,498	242,498
Total fund balances	3,757,199	3,140,116	1,250,582	7,396,030	15,543,927
Total liabilities and fund balances	\$ 4,000,244	\$ 3,144,394	\$ 1,317,683	\$ 8,194,054	\$ 16,656,375
Total fund balance for governmental funds					\$ 15,543,927
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					32,829,952
Special assessment revenue not received within 60 days of year end is not reported as revenue in the funds					497,646
Long-term debt is not due and payable in the current period and is not reported in the funds					(4,590,000)
Accumulated sick and vacation pay is not due and payable in the current period and is not reported in the funds					(345,096)
Net assets of governmental activities					\$ 43,936,429

Township of Grosse Ile

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended March 31, 2008

	General Fund	Road Improvement Fund	Fire Operating Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 3,233,755	\$ 280	\$ 975,287	\$ 2,066,892	\$ 6,276,214
Special assessments	-	-	-	51,353	51,353
State sources	900,299	-	-	-	900,299
Licenses and permits	362,679	-	-	-	362,679
Charges for services	120	-	-	123,420	123,540
Ambulance fees	-	-	104,443	-	104,443
Rental income	22,800	-	-	103,099	125,899
Federal sources	-	-	-	325,455	325,455
State sources	-	-	-	27,448	27,448
Fines and forfeitures	121,719	-	-	-	121,719
Interest income	214,075	185,572	45,675	256,086	701,408
Other	257,560	126,630	-	24,619	408,809
Total revenue	5,113,007	312,482	1,125,405	2,978,372	9,529,266
Expenditures					
Current:					
General government	1,806,032	1,111,673	-	364,419	3,282,124
33rd District Court	89,912	-	-	-	89,912
Public safety	2,873,578	-	930,026	311,577	4,115,181
Cultural and recreation	-	-	-	665,290	665,290
Capital outlay	-	-	-	-	-
Debt service	-	-	-	713,146	713,146
Total expenditures	4,769,522	1,111,673	930,026	2,054,432	8,865,653
Excess of Revenue Over Expenditures	343,485	(799,191)	195,379	923,940	663,613
Other Financing Sources (Uses)					
Transfers in	65,218	27	-	304,889	370,134
Transfers out	(243,018)	-	(75,218)	(109,341)	(427,577)
Total other financing sources (uses)	(177,800)	27	(75,218)	195,548	(57,443)
Net Change in Fund Balances	165,685	(799,164)	120,161	1,119,488	606,170
Fund Balances - Beginning of year	3,591,514	3,939,280	1,130,421	6,276,542	14,937,757
Fund Balances - End of year	\$ 3,757,199	\$ 3,140,116	\$ 1,250,582	\$ 7,396,030	\$ 15,543,927

The Notes to Financial Statements are an
Integral Part of this Statement.

Township of Grosse Ile

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 606,170

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	1,405,547
Loss on disposal of assets	(18,443)
Depreciation expense	(822,169)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (51,353)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 472,557

Increase in the contingent liability for attorney fees are reported as an expenditure when financial resources are used in the governmental funds (300,000)

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (31,171)

Change in Net Assets of Governmental Activities \$ 1,261,138

Township of Grosse Ile

Proprietary Funds Statement of Net Assets (Deficit) March 31, 2008

	Enterprise Funds			
	Department of Public Works	Municipal Airport and Commerce Park	Water's Edge Country Club	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,859,750	\$ 597,722	\$ 58,656	\$ 4,516,128
Restricted assets - Undrawn proceeds	615,258	-	-	615,258
Customer receivables - Net	1,212,828	131,675	1,517	1,346,020
Due from other governmental units	1,979,306	-	-	1,979,306
Due from other funds	-	-	4,303	4,303
Inventories	33,082	15,673	940	49,695
Total current assets	7,700,224	745,070	65,416	8,510,710
Noncurrent assets:				
Restricted assets	1,839,636	-	-	1,839,636
Capital assets	56,402,904	12,075,580	1,248,372	69,726,856
Total noncurrent assets	58,242,540	12,075,580	1,248,372	71,566,492
Total assets	65,942,764	12,820,650	1,313,788	80,077,202
Liabilities				
Current liabilities:				
Accounts payable	2,048,982	84,417	5,870	2,139,269
Accrued and other liabilities	17,727	22,325	4,550	44,602
Due to other funds	57,009	6,159	297,097	360,265
Deferred revenue	-	-	60,371	60,371
Customer deposits	25,521	61,052	2,500	89,073
Current portion of compensated absences	11,200	9,936	7,856	28,992
Current portion of long-term debt	2,064,263	30,000	40,000	2,134,263
Total current liabilities	4,224,702	213,889	418,244	4,856,835
Noncurrent liabilities:				
Provision for compensated absences - Net of current portion	35,068	8,471	26,844	70,383
Long-term debt - Net of current portion	39,842,679	575,000	910,000	41,327,679
Total noncurrent liabilities	39,877,747	583,471	936,844	41,398,062
Total liabilities	44,102,449	797,360	1,355,088	46,254,897
Net Assets (Deficit)				
Investment in capital assets - Net of related debt	15,111,220	11,470,580	298,372	26,880,172
Restricted (Note 8)	1,839,636	-	-	1,839,636
Unrestricted	4,889,459	552,710	(339,672)	5,102,497
Total net assets (deficit)	\$ 21,840,315	\$ 12,023,290	\$ (41,300)	\$ 33,822,305

Township of Grosse Ile

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets (Deficit)

Year Ended March 31, 2008

	Enterprise Funds			
	Department of Public Works	Municipal Airport and Commerce Park	Water's Edge Country Club	Total
Operating Revenue				
Sale of water	\$ 1,954,060	\$ -	\$ -	\$ 1,954,060
Sewage disposal charges	1,268,530	-	-	1,268,530
Refuse charges	542,092	-	-	542,092
Airport related	-	322,242	-	322,242
Commerce Park rent	-	446,144	-	446,144
Fuel farm	-	268,426	-	268,426
Tennis center	-	64,719	-	64,719
Golf	-	-	255,048	255,048
Marina	-	-	105,312	105,312
Pool	-	-	37,638	37,638
Total operating revenue	<u>3,764,682</u>	<u>1,101,531</u>	<u>397,998</u>	<u>5,264,211</u>
Operating Expenses				
Cost of water produced/purchased	1,557,904	-	-	1,557,904
Cost of sewage treatment	1,104,350	-	-	1,104,350
Cost of refuse disposal	685,531	-	-	685,531
Airport related	-	428,686	-	428,686
Commerce Park rent	-	136,607	-	136,607
Fuel farm	-	254,163	-	254,163
Tennis center	-	34,289	-	34,289
Golf	-	-	259,508	259,508
Marina	-	-	78,416	78,416
Pool	-	-	60,325	60,325
Depreciation	428,147	399,284	70,591	898,022
Total operating expenses	<u>3,775,932</u>	<u>1,253,029</u>	<u>468,840</u>	<u>5,497,801</u>
Operating Loss	<u>(11,250)</u>	<u>(151,498)</u>	<u>(70,842)</u>	<u>(233,590)</u>
Nonoperating Revenue (Expenses)				
Property taxes	2,608,036	-	-	2,608,036
Investment income	336,091	31,957	2,591	370,639
Interest expense	(1,114,557)	(34,690)	(63,231)	(1,212,478)
Total nonoperating expenses	<u>1,829,570</u>	<u>(2,733)</u>	<u>(60,640)</u>	<u>1,766,197</u>
Income (Loss) - Before capital contributions	<u>1,818,320</u>	<u>(154,231)</u>	<u>(131,482)</u>	<u>1,532,607</u>
Capital Contributions	-	2,402,669	-	2,402,669
Operating Transfers In	-	-	57,443	57,443
Change in Net Assets (Deficit)	<u>1,818,320</u>	<u>2,248,438</u>	<u>(74,039)</u>	<u>3,992,719</u>
Net Assets - Beginning of year -	<u>20,021,995</u>	<u>9,774,852</u>	<u>32,739</u>	<u>29,829,586</u>
Net Assets (Deficit) - End of year	<u>\$ 21,840,315</u>	<u>\$ 12,023,290</u>	<u>\$ (41,300)</u>	<u>\$ 33,822,305</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Township of Grosse Ile

Proprietary Funds Statement of Cash Flows Year Ended March 31, 2008

	Enterprise Funds			
	Department of Public Works	Municipal Airport and Commerce Park	Water's Edge County Club	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,739,866	\$ 1,299,349	\$ 496,348	\$ 5,535,563
Payments to suppliers	(3,340,630)	(933,164)	(328,417)	(4,602,211)
Payments to employees	(644,109)	(216,502)	(163,717)	(1,024,328)
Internal activity - Payments from (to) other funds	(2,928)	2,898	2,960	2,930
Other receipts	336,091	31,957	2,591	370,639
Net cash provided by operating activities	88,290	184,538	9,765	282,593
Cash Flows from Financing Activities				
Purchase of capital assets	(1,476,259)	(246,397)	(16,515)	(1,739,171)
Proceeds from property tax levy	2,608,036	-	-	2,608,036
Operating transfers in	-	-	57,443	57,443
Principal paid on capital debt	(2,014,262)	(25,000)	(40,000)	(2,079,262)
Interest paid on capital debt	(1,114,557)	(34,690)	(63,231)	(1,212,478)
Net cash used in capital and related financing activities	(1,997,042)	(306,087)	(62,303)	(2,365,432)
Cash Flows from Investing Activities -				
Interest received on investments	336,091	31,957	2,591	370,639
Net decrease in Cash and Cash Equivalents	(1,572,661)	(89,592)	(49,947)	(1,712,200)
Cash and Cash Equivalents - Beginning of year	7,272,047	687,314	108,603	8,067,964
Cash and Cash Equivalents - End of year	\$ 5,699,386	\$ 597,722	\$ 58,656	\$ 6,355,764
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 3,859,750	\$ 597,722	\$ 58,656	4,516,128
Restricted investments (Note 8)	1,839,636	-	-	1,839,636
Total cash and cash equivalents	\$ 5,699,386	\$ 597,722	\$ 58,656	\$ 6,355,764

Township of Grosse Ile

Proprietary Funds Statement of Cash Flows (Continued) Year Ended March 31, 2008

	Enterprise Funds			
	Department of Public Works	Municipal Airport and Commerce Park	Water's Edge Country Club	Total
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (11,250)	\$ (151,498)	\$ (70,842)	(233,590)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation and amortization	428,147	399,284	70,591	898,022
Changes in assets and liabilities:				
Receivables	(103,523)	(73,300)	483	(176,340)
Due from other governmental units	(1,267,110)	-	-	(1,267,110)
Prepaid expense	21,507	1,298	29	22,834
Inventories	-	5,610	-	5,610
Accounts payable	1,009,652	7,148	(822)	1,015,978
Accrued and other liabilities	8,384	547	857	9,788
Deferred revenue	-	-	(2,455)	(2,455)
Compensated absences	(445)	1,215	3,578	4,348
Other liabilities	-	(2,868)	-	(2,868)
Interfund activity	2,928	(2,898)	8,346	8,376
Net cash provided by operating activities	<u>\$ 88,290</u>	<u>\$ 184,538</u>	<u>\$ 9,765</u>	<u>\$ 282,593</u>

Noncash Investing, Capital, and Financing Activities - During the year ended March 31, 2008, the Municipal Airport and Commerce Park fund received \$2,363,164 of matching funds from the state and federal governments for their portion of the rehabilitation of runway 4/22 project, the animal control fencing and the design of the midfield taxiways. The Municipal Airport and Commerce Park fund also received \$39,505 from Donors for renovations to the Tennis Center.

Township of Grosse Ile

Fiduciary Funds Statement of Assets and Liabilities March 31, 2008

	Agency Funds		
	General	Tax Collection	Total
Assets - Cash and cash equivalents	\$ 648,687	\$ 417,957	\$ 1,066,644
Liabilities			
Due to component unit	\$ -	\$ 270,294	\$ 270,294
Due to other governmental units	-	84,418	84,418
Accrued and other liabilities	648,687	63,245	711,932
Total liabilities	\$ 648,687	\$ 417,957	\$ 1,066,644

Township of Grosse Ile

Component Units Statement of Net Assets (Deficit) March 31, 2008

	Brownfield Authority	Downtown Development Authority	Totals
Assets			
Cash and investments	\$ 311,401	\$ 135,265	\$ 446,666
Receivables - Net	2,585	560	3,145
Due from primary government	140,930	129,364	270,294
Total assets	454,916	265,189	720,105
Liabilities			
Accounts payable	-	949	949
Accrued and other liabilities	-	500	500
Long-term debt (Note 7):			
Due within one year	40,708	30,000	70,708
Due in more than one year	217,740	415,000	632,740
Total liabilities	258,448	446,449	704,897
Net Assets (Deficit) - Unrestricted	\$ 196,468	\$ (181,260)	\$ 15,208

Township of Grosse Ile

		Program Revenues	
		Charges for	Operating
	Expenses	Services	Grants/ Contributions
Brownfield Authority - Community and economic development	\$ 6,711	\$ -	\$ -
Downtown Development Authority - Community and economic development	118,456	-	-
Total governmental activities	\$ 125,167	\$ -	\$ -
General Revenues			
Property taxes			
Interest			
Total general revenues and transfers			
Change in Net Assets			
Net Assets (Deficit) - Beginning of year			
Net Assets (Deficit) - End of year			

**Component Units
Statement of Activities
Year Ended March 31, 2008**

Net (Expense) Revenue and Changes in Net Assets		
Brownfield Authority	Downtown Development Authority	Total
\$ (6,711)	\$ -	\$ (6,711)
-	(118,456)	(118,456)
(6,711)	(118,456)	(125,167)
140,930	150,966	291,896
9,245	4,164	13,409
150,175	155,130	305,305
143,464	36,674	180,138
53,004	(217,934)	(164,930)
\$ 196,468	\$ (181,260)	\$ 15,208

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Township of Grosse Ile (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

Reporting Entity

The Township operates as a General Law Township under the laws of the State of Michigan. The Township is governed by an elected seven-member Board. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the Township's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

Blended Component Units

The Grosse Ile Building Authority (the "Authority") is composed of a three-member board appointed by the Township's Board of Trustees. Although it is a separate legal entity from the Township, the Authority is reported as if it were a part of the primary government because its sole purpose is to finance and construct the Township's public buildings.

The Grosse Ile/City of Trenton Utilities Authority (the "Authority") was created under Michigan Statute Act 233 of Public Act 1955, as amended, to acquire, construct, and finance water supply improvements. The Authority is composed of three members, two from Grosse Ile and one from the City of Trenton. Although the Authority is presented under this section, there is no joint venture between the two communities. Each community owns, operates, finances, and maintains its own water/sewer system within its jurisdiction. This Authority is used as a funding mechanism for water and sewer projects. There is no intention now or in the future to sponsor a jointly owned venture. Although it is a separate legal entity from the Township, the Authority is reported as if it were a part of the primary government within the Department of Public Works Fund because its sole purpose is to finance and construct water and sewer projects.

Discretely Presented Component Units

The Downtown Development Authority (the "Authority") was created under Act No. 197 of the Michigan State statutes to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

development within the downtown district. The supervisor, subject to the approval of the Township Board under the supervision and control of a Board consisting of the Township supervisor and eight members, appoints the Authority. A tax incremental financing plan was instituted to finance the activities of the Authority. In addition, the Authority budget is subject to approval by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township.

The Brownfield Authority was created under Michigan Public Act 381 of 1997. Its purpose is to redevelop and reuse the Grosse Ile Airport Commerce Park through the capture of tax revenues generated within the Brownfield District. The tax revenues are used to remediate environmental problems (approved by the Township Board) and for land use and market studies (approved by the State of Michigan

Department of Environmental Quality). The members consist of the Airport Commission appointed by the Township Board. A tax incremental financing plan was instituted to finance the activities of the Authority. In addition, the Authority's budget is subject to approval by the Township Board. It is reported within the component unit column in the combined financial statements to emphasize that it is legally separate from the Township.

Jointly Governed Organizations

Jointly governed organizations are discussed in Note 13.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the

operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Road Improvement Fund - The Road Improvement Fund is used to account for funds from a tax millage for public improvements to nonresidential and commonly used thoroughfares. It is used to pay certain contract indebtedness under contracts to be entered into with the County of Wayne or contractors for the purpose of providing various improvements and maintenance to roads within the Township and the payment of any special road assessments for Township-owned land. The fund was authorized by a vote of the residents approving a tax levy. The millage for this fund expired in 2004.

Fire Operating Fund - The Fire Operating Fund is used to account for funds from a tax millage for the operations of the fire department. The fund was authorized by a vote of the residents approving a tax levy. Another source of funding for this fund is the collection of ambulance fees. Operations include firefighting services, as well as, basic emergency medical services for residents and visitors to Grosse Ile.

The Township reports the following major proprietary funds:

Department of Public Works Fund - The Department of Public Works Fund accounts for the activities of the water distribution system, sewage collection system, and refuse collection. The fund's primary revenues are generated through user charges from those requesting water and sewer services.

Municipal Airport and Commerce Park Fund - The Municipal Airport and Commerce Park Fund is used to account for the airport operations and the Commerce Park complex. Financing is provided by user charges for the airport and by rental income in Commerce Park. The airport was a naval aviation operation, transferred to the Township, and has some land use restrictions imposed by the FAA.

Water's Edge Country Club Fund - The Water's Edge Country Club Fund accounts for the operation and maintenance of the golf course, pool, and marina facilities. The facilities are open to the public on a membership and fee basis.

Additionally, the Township reports the following fund types:

Agency Funds - Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Capital Projects Funds - Capital Projects Funds are used to account for the construction of major capital facilities and Township infrastructure other than those financed by proprietary and trust funds.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

interest from special assessment levies when the government is obligated in some manner for the payment.

Special Revenue Funds - Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes or designated by management to be accounted for in another fund. These funds are classified as Special Revenue Funds due to the limited usage of their assets.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2007 tax is levied and collectible on December 1, 2006 and is recognized as revenue in the year ended March 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2007 taxable valuation of the Township totaled \$666.7 million (a portion of which is abated and a portion of which is captured by the Brownfield Authority and Downtown Development Authority), on which taxes levied consisted of 3.1812 mills for operating purposes, 1.7168 mills for police operations, 1.9789 mills for fire operations and equipment purchases, .9991 mills for open space purchases, .4995 mills for recreation operations, .0999 mills for bike path maintenance, .1000 mills for library use, .3213 mills for drainage improvements, .3000 mills for public safety building debt, and 4.2000 mills for sewer-related debt. This resulted in \$2.100

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

million for operating, \$1.133 million for police operations, \$1.309 million for fire operations and equipment purchases, \$659,000 for open space purchases, \$329,000 for recreation operations, \$66,000 for bike path maintenance, \$66,000 for library use, \$212,000 for drainage improvements, \$201,000 for public safety building debt, and \$2.808 million for sewer-related debt. These amounts are recognized in the respective General Funds, Fire Operating Funds, Special Revenue Funds, Debt Service Funds, and Enterprise Funds financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. To the extent that cash from various funds has been pooled, pooled investment income is generally allocated to each fund using a weighted average method. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Noncurrent receivables such as special assessments are recorded at full value, and deferred revenue is recorded for the portion not available for use to finance operations as of year end. Interest income on special assessments receivable is not accrued until its due date.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Restricted assets of the Department of Public Works Fund consist of cash, municipal pooled investments, and highly liquid assets restricted for replacement of the water and sewer distribution and collection systems and sewer plant capital replacement. Unspent bond proceeds of the Enterprise Funds are required to be set aside for construction. These amounts have also been classified as restricted assets.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads and sidewalks	50 years
Bike paths	20 years
Drains	100 years
Water and sewer distribution systems	20 to 100 years
Water and sewer treatment facilities	40 to 50 years
Buildings and building improvements	20 to 50 years
Vehicles	5 to 30 years
Furniture and fixtures	7 to 10 years
Equipment and machines	7 to 20 years
Signs	20 years

Compensated Absences (Vacation and Sick Leave) - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds where appropriate except in the General Fund, where it is only reported for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)".

Annual budgets are adopted for all funds. The budget represents a complete financial plan for all activities of the Township for the ensuing fiscal year. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level. Expenditures at this level in excess of amounts budgeted are a violation of State law.

Encumbrance accounting is employed in all funds. Annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. Encumbrances (e.g., purchase orders and contracts) outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The amount of encumbrances outstanding at March 31, 2008 is \$0.

The budget process begins with a strategy meeting in December with the Township supervisor, Township manager, and finance director to plan and prioritize goals and objectives for the upcoming budget year.

Each January, department heads receive workpapers to prepare their individual line item budgets. Upon completion, the department budgets are returned to the finance director for compilation and review. A public meeting with the department managers is held with the Township supervisor, Township manager, and finance director to provide justification of their budgets.

A proposed, balanced budget is then developed and submitted to the Township Board for review. A public hearing on the budget is held before its final adoption.

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Upon review, and a subsequent public hearing, the Township Board adopts the proposed budget by resolution prior to the commencement of the next fiscal year.

A comparison of actual results of operations to the General Fund and Major Special Revenue Funds budgets adopted by the Township Board is included as required supplemental information. The comparison includes expenditure budget overruns. A comparison of actual results of operations, including budget overruns to all the fund budgets as adopted by the Township Board, is available at the finance department's office for inspection.

	Budget	Actual	Variance
General Fund			
Township Grounds	\$ 226,156	\$ 227,072	\$ (916)
33rd District Court	87,906	89,912	(2,006)
Professional Fees	105,300	209,709	(104,409)
Public Safety	2,872,695	2,873,578	(883)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Township incurred expenditures in governmental funds that were in excess of the amounts budgeted, as follows:

The unfavorable expenditure variances in the General Fund were caused by unanticipated expenditures that became necessary during the year.

Fund Deficits - The Township has accumulated fund deficits in the following individual funds:

The deficit in the Downtown Development Authority of \$181,260 will be eliminated in future years as property tax collections are received.

The deficit in the Water's Edge Country Club of \$339,672 will hopefully be eliminated in future years with increased memberships and usage of the facility and the reduction of expenditures. The Township will continue to monitor operations closely.

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative overage at April 1, 2007	\$ 25,119
Current year building permit revenue	208,858
Related expenses:	
Direct costs	(213,557)
Administrative indirect costs	<u>(4,585)</u>
Cumulative overage at March 31, 2008	<u>\$ 15,835</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Township has designated seven banks for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank investment pool, and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The bank balance of the Township's deposits is \$2,523,259, of which \$400,000 is covered by federal depository insurance and \$2,123,259 is uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The component units' deposits had a bank balance of \$34,046, of which \$34,046 was covered by federal depository insurance.

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the Township only had no investment subjected to interest rate risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment that would further limit its investment choices. As of the end of the fiscal year, the credit quality ratings of the debt securities (other than the U.S. government) are as follows:

Investment Type	Fair Value	Rating	Rating Organization
Money Market Funds	\$ 229,150	Not Rated	
MBIA Asset Mangement	5,259,602	AAA-V1	Fitch

Note 4 - Receivables

Receivables as of year-end for the Township's individual major funds and the nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Road Improvement Fund	Fire Operating Fund	Nonmajor and Other Funds	Total Primary Government
Receivables:					
Taxes	\$ 212,734	\$ 1,191	\$ 63,148	\$ 138,755	\$ 415,828
Special assessments	-	-	-	497,646	497,646
Accounts	62,847	-	11,066	11,526	85,439
Interest and other	1,997	6,927	1,607	13,301	23,832
Net receivables	<u>\$ 277,578</u>	<u>\$ 8,118</u>	<u>\$ 75,821</u>	<u>\$ 661,228</u>	<u>\$ 1,022,745</u>

At year end, all receivables recorded in the Township's component units related to taxes receivable.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 497,646	\$ -
Other	-	3,857
Total	<u>\$ 497,646</u>	<u>\$ 3,857</u>

The Waters Edge Country Club bills the upcoming summer season dockage fees in January of the applicable year. Deferred revenue is recorded for the amounts collected from January to March 31, 2008.

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Governmental Activities				
Capital assets not being depreciated:				
Open space land	\$ 10,181,747	\$ 46,669	\$ -	\$ 10,228,416
Other land	1,176,208	-	-	1,176,208
Subtotal	<u>11,357,955</u>	<u>46,669</u>	<u>-</u>	<u>11,404,624</u>
Capital assets being depreciated:				
Infrastructure	16,382,412	976,913	-	17,359,325
Buildings and improvements	7,874,326	83,304	-	7,957,630
Public safety vehicles	2,338,805	131,325	57,400	2,412,730
Furniture, fixtures, and other vehicles	3,612,064	167,336	76,260	3,703,140
Subtotal	<u>30,207,607</u>	<u>1,358,878</u>	<u>133,660</u>	<u>31,432,825</u>
Accumulated depreciation:				
Infrastructure	5,027,138	282,692	-	5,309,830
Buildings and improvements	1,327,029	165,931	-	1,492,960
Public safety vehicles	788,074	189,548	43,973	933,649
Furniture, fixtures, and other vehicles	2,158,304	183,998	71,244	2,271,058
Subtotal	<u>9,300,545</u>	<u>822,169</u>	<u>115,217</u>	<u>10,007,497</u>
Net capital assets being depreciated	<u>20,907,062</u>	<u>536,709</u>	<u>18,443</u>	<u>21,425,328</u>
Net capital assets	<u>\$ 32,265,017</u>	<u>\$ 583,378</u>	<u>\$ 18,443</u>	<u>\$ 32,829,952</u>

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

	Balance April 1, 2007	Additions	Disposals	Balance March 31, 2008
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 5,652,599	\$ -	\$ -	\$ 5,652,599
Construction in progress	38,043,043	3,522,694	-	41,565,737
Subtotal	43,695,642	3,522,694	-	47,218,336
Capital assets being depreciated:				
Water and sewer distribution system	17,137,502	-	-	17,137,502
Buildings and building improvements	15,292,082	2,581,858	-	17,873,940
Furniture, machinery, and equipment	704,629	36,346	-	740,975
Vehicles	254,510	-	-	254,510
Subtotal	33,388,723	2,618,204	-	36,006,927
Accumulated depreciation:				
Water and sewer distribution system	3,193,054	352,735	-	3,545,789
Buildings and building improvements	8,329,077	490,112	-	8,819,189
Furniture, machinery, and equipment	751,673	44,052	-	795,725
Vehicles	326,581	11,123	-	337,704
Subtotal	12,600,385	898,022	-	13,498,407
Net capital assets being depreciated	20,788,338	1,720,182	-	22,508,520
Net capital assets	\$ 64,483,980	\$ 5,242,876	\$ -	\$ 69,726,856

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 465,792
Public safety	300,019
Cultural and recreation	56,358
Total governmental activities	\$ 822,169
Business-type activities:	
Department of Public Works	\$ 428,147
Municipal Airport and Commerce Park	399,284
Water's Edge Country Club	70,591
Total business-type activities	\$ 898,022

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Construction Commitments - The Township has active construction projects at year-end. At year-end, the Township's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sanitary Sewer Separation Project		
Phase II - Retention Basin Pump Station and Interceptor	\$ 12,949,998	\$ -
Phase III - North - South Relief Interceptor	13,195,332	1,206,178
Sanitary Sewer Replacement - Ravet Woods	890,742	262,834
Water Main Replacement - Ferry Road	625,240	109,918
Golf View Shores Subdivision	253,261	28,140
West River Road Ramp	<u>292,013</u>	<u>32,446</u>
 Total	 <u>\$ 28,206,586</u>	 <u>\$ 1,639,516</u>

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	\$ 163,672
	Road Improvement Fund	300
	Fire Operating Fund	6,918
	Department of Public Works	34,828
	Municipal Airport and Commerce Park	6,159
	Water's Edge Country Club	297,097
	Total General Fund	508,974
Water's Edge Country Club	Nonmajor governmental funds	4,303
Nonmajor governmental funds	General Fund	12,742
Nonmajor governmental funds	Department of Public Works	22,181
Nonmajor governmental funds	Nonmajor governmental funds	39,758
	Total Nonmajor governmental funds	74,681
	Total	\$ 587,958
<hr/>		
Receivable Fund	Payable Fund	Amount
Component Units - Due from Primary Government		
Component unit - Downtown Development Authority	Agency Fund - Tax collection fund	\$ 129,364
Component unit - Brownfield Authority	Agency Fund - Tax collection fund	140,930
	Total	\$ 270,294

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Nonmajor governmental funds	\$ 185,575
General Fund	Water's Edge Country Club	57,443
Nonmajor governmental funds	Road Improvement Fund	27
Nonmajor governmental funds	Nonmajor governmental funds	109,314
Fire Operating Fund	Nonmajor governmental funds	10,000
Fire Operating Fund	General Fund	65,218
	Total	<u>\$ 427,577</u>

The transfers to and from the General Fund to the nonmajor governmental funds represent the use of unrestricted resources to finance those programs, in accordance with budgetary authorizations; the transfer from the Municipal Airport to the nonmajor governmental funds represents a transfer of monies in excess of allowable grant expenditures.

Note 7 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. State and county contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties that benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the District) are received.

Long-term obligation activity can be summarized as follows:

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

	Number of Issues	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Adjustments	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities									
General obligation bonds:									
Sanitary drain bonds	1	3.15%-7.50%	\$131,392- \$288,340	\$ 432,557	\$ -	\$ -	\$ (172,557)	\$ 260,000	\$ 260,000
Amount of issue: \$5,285,000									
Maturing through 2009									
Public safety building bonds	1	4.15%-9.25%	\$70,000- \$175,000	-	-	-	-	-	-
Amount of issue: \$2,555,000									
Maturing through 2015									
Public safety building bonds	1	2.0%-4.0%	\$125,000- \$170,000	1,190,000	-	-	(140,000)	1,050,000	135,000
Amount of issue: \$1,585,000									
Maturing through 2015									
Grosse Ile Building Authority bonds	1	5.125%-8.0%	\$25,000- \$200,000	2,125,000	-	-	(50,000)	2,075,000	50,000
Amount of issue: \$2,400,000									
Maturing through 2025									
Special assessment bonds	5	3.5%-6.1%	\$10,000- \$105,000	1,015,000	-	-	(110,000)	905,000	110,000
Amount of issue: \$3,695,000									
Maturing through 2019									
Total General obligation bonds				4,762,557	-	-	(472,557)	4,290,000	555,000
Contingent Liability - Attorney fees				-	-	300,000	-	300,000	-
Total governmental activities				\$ 4,762,557	\$ -	\$ 300,000	\$ (472,557)	\$ 4,590,000	\$ 555,000
Business-type Activities									
General obligation bonds:									
Tax sewer system improvement bonds	3	2.125%-2.5%	\$155,000- \$1,235,000	\$ 34,964,279	\$ -	\$ -	\$ (1,665,000)	\$ 33,299,279	\$ 1,705,000
Amount of issue: \$40,000,000									
Maturing through 2025									
G.I./Trenton Utility Authority	5	3.25%-7.0%	\$15,000- \$201,075	8,251,925	-	-	(299,262)	7,952,663	309,263
Amount of issue: \$9,320,150									
Maturing through 2025									
Grosse Ile Building Authority bonds	1	5.2%-7.0%	\$20,000- \$80,000	705,000	-	-	(50,000)	655,000	50,000
Amount of issue: \$950,000									
Maturing through 2018									
Grosse Ile Building Authority bonds	1	7.65%-10.0%	\$5,000- \$50,000	605,000	-	-	(10,000)	595,000	10,000
Amount of issue: \$650,000									
Maturing through 2025									
Capital Improvement bonds	1	3.5%-4.7%	\$25,000- \$45,000	385,000	-	-	(30,000)	355,000	30,000
Amount of issue: \$515,000									
Maturing through 2017									
Capital Improvement bonds	1	4.5%-6.3%	\$25,000- \$80,000	630,000	-	-	(25,000)	605,000	30,000
Amount of issue: \$680,000									
Maturing through 2019									
Total business-type activities				\$ 45,541,204	\$ -	\$ -	\$ (2,079,262)	\$ 43,461,942	\$ 2,134,263
Component Units									
Brownfield revitalization revolving loan	1	2.25%	\$40,708- \$46,524	\$ 298,267	\$ -	\$ -	\$ (39,819)	\$ 258,448	\$ 40,708
Amount of issue: \$421,825									
Maturing through 2014									
Downtown Development Authority	1	4.1%-5.9%	\$5,000- \$65,000	475,000	-	-	(30,000)	445,000	30,000
Amount of issue: \$620,000									
Maturing through 2019									
Total component units				\$ 773,267	\$ -	\$ -	\$ (69,819)	\$ 703,448	\$ 70,708

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 555,000	\$ 189,133	\$ 744,133	\$ 2,134,263	\$ 815,569	\$ 2,949,832	\$ 70,708	\$ 27,023	\$ 97,731
2010	315,000	175,302	490,302	2,217,988	755,628	2,973,616	71,624	24,788	96,412
2011	315,000	160,541	475,541	2,327,988	692,978	3,020,966	82,560	22,501	105,061
2012	335,000	146,635	481,635	2,407,988	625,625	3,033,613	83,518	19,704	103,222
2013	355,000	132,526	487,526	2,531,713	554,844	3,086,557	84,497	16,844	101,341
2014-2018	1,160,000	465,595	1,625,595	14,026,651	1,588,320	15,614,971	310,541	42,519	353,060
2019-2023	855,000	216,710	1,071,710	13,400,351	(400,999)	12,999,352	-	-	-
2024-2028	400,000	20,500	420,500	4,415,000	(533,780)	3,881,220	-	-	-
Total	\$ 4,290,000	\$ 1,506,942	\$ 5,796,942	\$ 43,461,942	\$ 4,098,185	\$ 47,560,127	\$ 703,448	\$ 153,379	\$ 856,827

Advance Refundings In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At March 31, 2008, \$1,030,000 of bonds outstanding are considered defeased.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Department of Public Works
Unspent bond proceeds and related interest	\$ 1,839,636

Restricted Assets - Undrawn bond proceeds reported in the Township's Department of Public Works represent funds available for future draws on the Sanitary Sewer Rehabilitation Project Bonds. Debt has been recorded by the Township for 100 percent of the amount of funds available under this bond issue.

Note 9 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for medical claims as of March 1997; however, the Township still maintains a self-insurance plan for dental claims only. The Township participates in the Michigan Municipal League risk pool for claims relating to workers' compensation. The Township has purchased commercial insurance for property loss, torts, and errors and omissions. Settled claims relating to the

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 10 - Defined Benefit Pension Plan

Plan Description - The Township participates in the Michigan Municipal Employees' Retirement System (the "System"), an agent multiple-employer defined benefit pension plan that covers all employees of the Township. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

Trend information is as follows:

	Fiscal Year Ended March 31		
	2006	2007	2008
Annual pension costs (APC)	\$ 571,872	\$ 598,962	\$ 672,933
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 12,782,299	\$ 13,949,966	\$ 15,199,199
Actuarial Accrued Liability (AAL)	\$ 17,891,109	\$ 19,325,668	\$ 21,032,620
Unfunded AAL (UAAL)	\$ 5,108,810	\$ 5,375,702	\$ 5,833,421
Funded ratio	71.4%	72.2%	72.3%
Covered payroll	\$ 3,051,886	\$ 3,130,811	\$ 3,269,122
UAAL as a percentage of covered payroll	167%	172%	178%

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

At December 31, 2007, members consisted of the following:

	Active Employees	Retired Employees*
Police	18	12
Dispatch	6	3
Fire	2	1
Union	19	11
Administration	13	16
Total	58	43

* Retired employees include beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's competitive bargaining units and requires a contribution from the employees of 3.25 percent of gross wages for public safety employees.

Annual Pension Cost - For the year ended March 31, 2008, the Township's annual pension cost of \$672,933 for the plan was equal to the Township's required contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age actuarial cost method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 per year, and (c) 2 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years. Annually since 1997, the Township has been budgeting and voluntarily contributing an extra \$100,000 above the recommended required contribution to work toward a 100 percent funding level.

Note 11 - Reserved and Designated Fund Balances

Net assets of governmental activities have been reserved for the following:

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

Restricted net assets:	
Roads	\$ 3,140,116
Fire operating and equipment	2,219,386
Recreation	250,266
Library	186,617
Bicycle path	863,957
Drains	1,185,174
Open Space	1,760,614
Capital projects	<u>229,063</u>
Restricted net assets:	<u>\$ 9,835,193</u>

Fund balance of the General Fund has been designated for the following purposes:

	General Fund
Debt service	\$ 164,425
Subsequent year's expenditures	<u>2,472,659</u>
Total	<u>\$ 2,637,084</u>

Note 12 - Contingent Liabilities

During the ordinary course of its operation, the Township is a party to various claims, legal actions, and complaints.

The Township adopted a Resolution and Statement of Necessity dated June 9, 2003, whereby indicating its intention to acquire, by its power of eminent domain, the real and personal property belonging to the Grosse Ile Bridge Company. The Resolution of Necessity authorizes and directs the Township, via its legal counsel, to institute legal proceedings against parties in interest of the subject property for public purposes. In accordance with the provisions of MCL 212.55(1), the Township submitted a good faith offer for acquisition of the above property in the amount of \$4,293,000. This good faith offer was rejected on behalf of the Grosse Ile Bridge Company.

Following the unsuccessful attempt to condemn the bridge, the Grosse Ile Bridge Company has requested that the Court award it its fees and expenses incurred in connection with the litigation to date. The amount sought for attorney fees is

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

approximately \$1.2 to \$1.4 million plus interest. Claimed attorney expenses have been quantified as approximately \$110,000 and this amount has been expensed during the year ended March 31, 2008. An estimate of attorney fees related to this matter in the amount of \$300,000 is included in long-term debt.

The dispute is currently pending in Wayne County Circuit Court. Because the trial court has indicated that it will rule in favor of the Grosse Ile Bridge Company despite Grosse Ile's objections, it is likely that there will be an award by the trial court against Grosse Ile in this matter. Because there are significant legal issues associated with the entitlement of the Grosse Ile Bridge Company to legal fees under the applicable statute, Grosse Ile intends to appeal any such award and vigorously contest any such liability. At this stage in the proceedings, legal counsel is unable to provide an estimate of the range of potential loss.

The Township, along with several other communities, was issued a "Notice of Noncompliance" from the State of Michigan Department of Environmental Quality (the "Department") for alleged failure to comply with terms and conditions of a permit for discharge of wastewater and sewage.

The Township Board has agreed to the terms and conditions of an administrative consent order issued by the Department dated April 26, 2001. Under terms of the consent decree, the communities are required to undertake construction projects to expand and upgrade the system. The Township has issued bonds of \$40,000,000 to pay for costs related to the system improvements. The modifications to the system are substantially complete; however, contractual issues with the contractor of the project have arisen relating to the completion of the improvements. In substance, the contractor seeks compensation in addition to the amounts specified under the contractual arrangements to which the Township is a party. The litigation involving D'Agostini has progressed to the discovery stage. A trial date has not been scheduled. D'Agostini is seeking in excess of \$7.5 million.

The Township will continue to respond to the claims against them by vigorously contesting any liability. However, because of the stage of the litigation, legal counsel is unable to render an evaluation of the likelihood of an unfavorable outcome or an estimate of the amount or range of potential loss.

Note 13 - Joint Venture

The Township is a member of the 33rd District Court (the "Court"), which provides judicial services to the member communities. The Court receives its operating revenue principally from fines and fees, in addition to annual funding contributions from member communities. During the current year, the Township received approximately \$22,566 from the Court, representing the Township's share of the Court's net activity. The Township is unaware of any circumstances

Township of Grosse Ile

Notes to Financial Statements March 31, 2008

that would cause an additional benefit or burden to the participating communities in the near future, other than the fluctuation of case loads, which impacts the Township's share of the Court debt. Complete financial statements for the Court can be obtained from the administrative offices at: 19000 Van Horn Road, Woodhaven, MI 48183.

During 1995, the Township and various other surrounding communities entered into an installment purchase agreement with a bank on behalf of the Court. The communities collectively agreed to finance the construction of an addition to the Court for a total cost of approximately \$2,000,000.

The intention of the Court is to make the monthly interest and principal payments on behalf of the communities. In the event that payments are not received by the bank when due, each community will be responsible for its proportionate share of the debt based on Court usage. The Township's original estimated share of this debt was anticipated to be 4.12 percent but has been averaging approximately 3 percent to 4 percent over the past several years. The Township's portion of the related building addition, their equity interest, and debt obligation in the Court has been deemed insignificant by the Township and has not been recorded in the statement of net assets as of March 31, 2008.

For each community, the "share" is the percentage of total amount of any payment due equal to a fraction, the numerator of which is the total cases handled by the Court for that community from January 1 to December 31 of the year immediately preceding the year in which the payment is due, and the denominator of which is the total number of cases handled by the Court for the same time period. The share of the Township through December 31, 2005 approximated 4.01 percent. Principal and interest payments made by the Court on the Township's behalf during the year totaled \$3,431 and \$2,762, respectively. The Court has set aside certain funds of the Township in anticipation of its future debt requirements. The Township has not recorded these amounts held by the Court since it is not anticipated that they will be made available currently, nor can they be used for purposes other than debt retirement.

Note 14 - Other Postemployment Benefits

The Township has elected to provide postemployment health, dental, vision, and life insurance benefits to all eligible full-time retired employees and their beneficiaries. The government pays the full cost of coverage for these benefits. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant (other than specific co-pays). The Township purchases Medicare supplemental insurance for retirees eligible for Medicare. Currently, 31 retirees are eligible for post-

employment health benefits. For the fiscal year ended March 31, 2008, the Township made payments for postemployment health benefits of \$348,969. The government obtains health care coverage through private insurers.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2009.

Required Supplemental Information

Township of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 3,207,081	\$ 3,207,081	\$ 3,233,755	\$ 26,674
Intergovernmental revenue	898,261	884,233	900,299	16,066
Licenses and permits	350,363	350,363	362,679	12,316
Charges for services	50	50	120	70
Rental Income	22,800	22,800	22,800	-
Fines and forfeitures	89,906	89,906	121,719	31,813
Interest income	140,000	140,000	214,075	74,075
Other revenue	258,418	258,418	257,560	(858)
Total revenues	4,966,879	4,952,851	5,113,007	160,156
Expenditures				
General government:				
Township board	32,542	32,542	27,732	4,810
Township supervisor	28,666	28,666	20,613	8,053
Township manager	213,169	210,494	205,695	4,799
Elections	41,125	41,125	18,070	23,055
Township clerk	148,582	148,582	143,359	5,223
Finance department	263,211	261,858	242,188	19,670
Property tax administration	99,852	99,852	91,094	8,758
Board of Review	2,200	2,200	1,675	525
Township treasurer	160,368	160,368	152,965	7,403
Township grounds and maintenance	236,156	226,156	227,072	(916)
Community development	229,163	229,163	218,142	11,021
Cable commission	105,000	105,000	103,353	1,647
Professional services	105,300	105,300	209,709	(104,409)
General expenditures	163,144	163,144	144,365	18,779
Total general government	1,828,478	1,814,450	1,806,032	8,418
33rd District Court	87,906	87,906	89,912	(2,006)
Public safety:				
Police	2,846,593	2,846,593	2,849,178	(2,585)
Animal control	11,950	11,950	10,942	1,008
Auxiliary police	14,152	14,152	13,458	694
Total public safety	2,872,695	2,872,695	2,873,578	(883)
Total expenditures	4,789,079	4,775,051	4,769,522	5,529
Excess of Revenues Over Expenditures	177,800	177,800	343,485	165,685

Township of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Other Financing Sources (Uses)				
Operating transfers in	\$ 65,218	\$ 65,218	\$ 65,218	\$ -
Operating transfers out	(243,018)	(243,018)	(243,018)	-
Total other financing sources (uses)	(177,800)	(177,800)	(177,800)	-
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses	-	-	165,685	165,685
Fund Balance - Beginning of year	3,591,514	3,591,514	3,591,514	-
Fund Balance - End of year	<u>\$ 3,591,514</u>	<u>\$ 3,591,514</u>	<u>\$ 3,757,199</u>	<u>\$ 165,685</u>

Township of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Road Improvement Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ -	\$ -	\$ 280	\$ 280
Reimbursement	-	-	126,630	126,630
Interest income	100,000	100,000	185,572	85,572
Total revenue	100,000	100,000	312,482	212,482
Expenditures - General government	3,865,000	3,865,000	1,111,673	2,753,327
Excess of Revenue Over (Under) Expenditures	(3,765,000)	(3,765,000)	(799,191)	2,965,809
Other Financing Sources				
Transfer in	-	-	27	27
Net Change in fund balance	(3,765,000)	(3,765,000)	(799,164)	2,965,836
Fund Balance - Beginning of year	3,939,280	3,939,280	3,939,280	-
Fund Balance - End of year	<u>\$ 174,280</u>	<u>\$ 174,280</u>	<u>\$ 3,140,116</u>	<u>\$ 2,965,836</u>

Township of Grosse Ile

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds – Fire Operating Fund Year Ended March 31, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 958,365	\$ 958,365	\$ 975,287	\$ 16,922
Ambulance fees	80,000	80,000	104,443	24,443
Interest income	10,000	10,000	45,675	35,675
Total revenue	1,048,365	1,048,365	1,125,405	77,040
Expenditures - Public safety	1,293,147	1,293,147	930,026	363,121
Excess of Revenue Over (Under) Expenditures	(244,782)	(244,782)	195,379	440,161
Other Financing Uses				
Transfer out	(75,218)	(75,218)	(75,218)	-
Net Change in fund balance	(320,000)	(320,000)	120,161	440,161
Fund Balance - Beginning of year	1,130,421	1,130,421	1,130,421	-
Fund Balance - End of year	\$ 810,421	\$ 810,421	\$ 1,250,582	\$ 440,161

Other Supplemental Information

Township of Grosse Ile

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds March 31, 2008

	Nonmajor Governmental Funds			Total Nonmajor Governmental Funds
	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
Assets				
Cash and investments	\$ 5,717,977	\$ 1,425,066	\$ 240,381	\$ 7,383,424
Receivables - Net	130,891	528,220	2,117	661,228
Due from other funds	74,681	-	-	74,681
Due from other governmental units	70,721	-	-	70,721
Prepaid expenses and other assets	4,000	-	-	4,000
Total assets	\$ 5,998,270	\$ 1,953,286	\$ 242,498	\$ 8,194,054
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 65,556	\$ -	\$ -	\$ 65,556
Accrued and other liabilities	23,232	-	-	23,232
Due to other funds	207,733	-	-	207,733
Deferred revenue	3,857	497,646	-	501,503
Total liabilities	300,378	497,646	-	798,024
Fund Balances				
Reserved	-	1,455,640	-	1,455,640
Unreserved - Undesignated	5,697,892	-	242,498	5,940,390
Total fund balances	5,697,892	1,455,640	242,498	7,396,030
Total liabilities and fund balances	\$ 5,998,270	\$ 1,953,286	\$ 242,498	\$ 8,194,054

Township of Grosse Ile

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds Year Ended March 31, 2008

	Nonmajor Governmental Funds			
	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenue				
Property taxes	\$ 1,665,545	\$ 401,347	\$ -	\$ 2,066,892
Special assessments	-	51,353	-	51,353
Charges for services	118,220	5,200	-	123,420
Rental income	103,099	-	-	103,099
Federal sources	325,455	-	-	325,455
State sources	27,448	-	-	27,448
Interest income	173,490	67,314	15,282	256,086
Other	24,619	-	-	24,619
Total revenue	<u>2,437,876</u>	<u>525,214</u>	<u>15,282</u>	<u>2,978,372</u>
Expenditures				
Current:				
General government	364,419	-	-	364,419
Public safety	311,577	-	-	311,577
Cultural and recreation	665,290	-	-	665,290
Capital outlay	-	-	-	-
Debt service	-	713,146	-	713,146
Total expenditures	<u>1,341,286</u>	<u>713,146</u>	<u>-</u>	<u>2,054,432</u>
Excess of Revenue Over (Under) Expenditures	<u>1,096,590</u>	<u>(187,932)</u>	<u>15,282</u>	<u>923,940</u>
Other Financing Sources (Uses)				
Transfers in	27,500	277,389	-	304,889
Transfers out	-	(27)	(109,314)	(109,341)
Total other financing sources (uses)	<u>27,500</u>	<u>277,362</u>	<u>(109,314)</u>	<u>195,548</u>
Net Change in Fund Balances	<u>1,124,090</u>	<u>89,430</u>	<u>(94,032)</u>	<u>1,119,488</u>
Fund Balances - Beginning of year	<u>4,573,802</u>	<u>1,366,210</u>	<u>336,530</u>	<u>6,276,542</u>
Fund Balances - End of year	<u>\$ 5,697,892</u>	<u>\$ 1,455,640</u>	<u>\$ 242,498</u>	<u>\$ 7,396,030</u>

Township of Grosse Ile

	Public Safety Building Maintenance	Drug Law Enforcement	Fire Equipment	Recreation Fund
Assets				
Cash and investments	\$ 61,457	\$ 306,889	\$ 936,395	\$ 221,509
Receivables - Net	-	-	21,351	32,763
Due from other funds	-	-	12,742	39,758
Due from other governmental units	-	-	-	-
Prepaid expenses and other assets	-	-	-	4,000
Total assets	<u>\$ 61,457</u>	<u>\$ 306,889</u>	<u>\$ 970,488</u>	<u>\$ 298,030</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,684	\$ 11,989
Accrued and other liabilities	-	-	-	23,127
Due to other funds	-	-	-	12,648
Deferred revenue	-	-	-	-
Total liabilities	-	-	1,684	47,764
Fund Balances - Undesignated	<u>61,457</u>	<u>306,889</u>	<u>968,804</u>	<u>250,266</u>
Total liabilities and fund balances	<u>\$ 61,457</u>	<u>\$ 306,889</u>	<u>\$ 970,488</u>	<u>\$ 298,030</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
March 31, 2008**

Historical Farm	Library Fund	Block Grant Fund	Bicycle Path	Drain and Storm Maintenance	Open Space Fund	Total Nonmajor Special Revenue Funds
\$ 123,015	\$ 213,840	\$ 119,398	\$ 847,490	\$ 1,172,113	\$ 1,715,871	\$ 5,717,977
77	6,489	-	6,479	18,950	44,782	130,891
-	-	-	22,181	-	-	74,681
-	-	70,721	-	-	-	70,721
-	-	-	-	-	-	4,000
<u>\$ 123,092</u>	<u>\$ 220,329</u>	<u>\$ 190,119</u>	<u>\$ 876,150</u>	<u>\$ 1,191,063</u>	<u>\$ 1,760,653</u>	<u>\$ 5,998,270</u>
\$ 155	\$ 33,712	\$ -	\$ 12,193	\$ 5,823	\$ -	\$ 65,556
-	-	-	-	66	39	23,232
5,700	-	189,385	-	-	-	207,733
3,857	-	-	-	-	-	3,857
9,712	33,712	189,385	12,193	5,889	39	300,378
<u>113,380</u>	<u>186,617</u>	<u>734</u>	<u>863,957</u>	<u>1,185,174</u>	<u>1,760,614</u>	<u>5,697,892</u>
<u>\$ 123,092</u>	<u>\$ 220,329</u>	<u>\$ 190,119</u>	<u>\$ 876,150</u>	<u>\$ 1,191,063</u>	<u>\$ 1,760,653</u>	<u>\$ 5,998,270</u>

Township of Grosse Ile

	Public Safety Building Maintenance	Drug Law Enforcement	Fire Equipment	Recreation Fund
Revenue				
Property taxes	\$ -	\$ -	\$ 334,071	\$ 329,269
Charges for services	-	-	-	118,220
Ambulance fees	-	-	-	-
Rental income	28,609	-	-	2,705
Federal sources	-	142,043	-	-
State sources	-	27,448	-	-
Interest income	1,933	12,226	27,597	2,441
Other	-	3,524	-	21,095
Total revenue	<u>30,542</u>	<u>185,241</u>	<u>361,668</u>	<u>473,730</u>
Expenditures - Current				
General government	-	-	-	-
Public safety	32,973	106,344	172,260	-
Cultural and recreation	-	-	-	443,206
Total expenditures	<u>32,973</u>	<u>106,344</u>	<u>172,260</u>	<u>443,206</u>
Excess of Revenue Over (Under)				
Expenditures	<u>(2,431)</u>	<u>78,897</u>	<u>189,408</u>	<u>30,524</u>
Other Financing Sources				
Transfers in	20,000	-	-	7,500
Transfers out	-	-	-	-
Total other financing sources	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>7,500</u>
Net Change in Fund Balances	<u>17,569</u>	<u>78,897</u>	<u>189,408</u>	<u>38,024</u>
Fund Balances - Beginning of year	<u>43,888</u>	<u>227,992</u>	<u>779,396</u>	<u>212,242</u>
Fund Balances - End of year	<u>\$ 61,457</u>	<u>\$ 306,889</u>	<u>\$ 968,804</u>	<u>\$ 250,266</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended March 31, 2008

Historical Farm	Library Fund	Block Grant Fund	Bicycle Path	Drain and Storm Maintenance	Open Space Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 65,947	\$ -	\$ 65,828	\$ 211,792	\$ 658,638	\$ 1,665,545
-	-	-	-	-	-	118,220
-	-	-	-	-	-	-
71,785	-	-	-	-	-	103,099
-	-	183,412	-	-	-	325,455
-	-	-	-	-	-	27,448
4,547	12,412	-	35,075	40,004	37,255	173,490
-	-	-	-	-	-	24,619
<u>76,332</u>	<u>78,359</u>	<u>183,412</u>	<u>100,903</u>	<u>251,796</u>	<u>695,893</u>	<u>2,437,876</u>
-	-	183,412	33,337	62,787	84,883	364,419
-	-	-	-	-	-	311,577
<u>57,810</u>	<u>164,274</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>665,290</u>
<u>57,810</u>	<u>164,274</u>	<u>183,412</u>	<u>33,337</u>	<u>62,787</u>	<u>84,883</u>	<u>1,341,286</u>
<u>18,522</u>	<u>(85,915)</u>	<u>-</u>	<u>67,566</u>	<u>189,009</u>	<u>611,010</u>	<u>1,096,590</u>
-	-	-	-	-	-	27,500
-	-	-	-	-	-	-
-	-	-	-	-	-	27,500
<u>18,522</u>	<u>(85,915)</u>	<u>-</u>	<u>67,566</u>	<u>189,009</u>	<u>611,010</u>	<u>1,124,090</u>
<u>94,858</u>	<u>272,532</u>	<u>734</u>	<u>796,391</u>	<u>996,165</u>	<u>1,149,604</u>	<u>4,573,802</u>
<u>\$ 113,380</u>	<u>\$ 186,617</u>	<u>\$ 734</u>	<u>\$ 863,957</u>	<u>\$ 1,185,174</u>	<u>\$ 1,760,614</u>	<u>\$ 5,697,892</u>

Township of Grosse Ile

	Sanitary Drain District	Public Safety Building Debt	1993 SAD Debt	1995 SAD Debt	1995 Series B SAD Debt
Assets					
Cash and investments	\$ 296,903	\$ 203,006	\$ 160,351	\$ 39,397	\$ 82,961
Receivables - Net	<u>13,133</u>	<u>12,989</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 310,036</u>	<u>\$ 215,995</u>	<u>\$ 160,351</u>	<u>\$ 39,397</u>	<u>\$ 82,961</u>
Liabilities and Fund Balances					
Liabilities					
Deferred revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances - Reserved	<u>310,036</u>	<u>215,995</u>	<u>160,351</u>	<u>39,397</u>	<u>82,961</u>
Total liabilities and fund balances	<u>\$ 310,036</u>	<u>\$ 215,995</u>	<u>\$ 160,351</u>	<u>\$ 39,397</u>	<u>\$ 82,961</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Debt Service Funds
March 31, 2008**

1995 Series C SAD Debt	1996 SAD Debt	1998 SAD Debt	1999 SAD Debt	2004 SAD Debt	Building Authority	Total Nonmajor Debt Service Funds
\$ -	\$ 70,484	\$ 238,238	\$ 95,602	\$ 238,115	\$ 9	\$ 1,425,066
-	-	75,242	108,248	318,608	-	528,220
<u>\$ -</u>	<u>\$ 70,484</u>	<u>\$ 313,480</u>	<u>\$ 203,850</u>	<u>\$ 556,723</u>	<u>\$ 9</u>	<u>\$ 1,953,286</u>
\$ -	\$ -	\$ 73,458	\$ 107,159	\$ 317,029	\$ -	\$ 497,646
-	70,484	240,022	96,691	239,694	9	1,455,640
<u>\$ -</u>	<u>\$ 70,484</u>	<u>\$ 313,480</u>	<u>\$ 203,850</u>	<u>\$ 556,723</u>	<u>\$ 9</u>	<u>\$ 1,953,286</u>

Township of Grosse Ile

	Sanitary Drain District	Public Safety Building Debt	1993 SAD Debt	1995 SAD Debt	1995 Series B SAD Debt
Revenue					
Property taxes	\$ 200,699	\$ 200,648	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Charges for services	5,200	-	-	-	-
Interest income	4,470	2,395	6,901	1,647	3,542
Total revenue	210,369	203,043	6,901	1,647	3,542
Expenditures - Debt service	202,408	185,057	-	-	-
Excess of Revenue Over (Under)					
Expenditures	7,961	17,986	6,901	1,647	3,542
Other Financing Sources					
Transfers out	-	-	-	-	-
Transfers in	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	7,961	17,986	6,901	1,647	3,542
Fund Balances - Beginning of year	302,075	198,009	153,450	37,750	79,419
Fund Balances - End of year	<u>\$ 310,036</u>	<u>\$ 215,995</u>	<u>\$ 160,351</u>	<u>\$ 39,397</u>	<u>\$ 82,961</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended March 31, 2008

1995 Series						Total Nonmajor Debt Service Funds
C SAD Debt	1996 SAD Debt	1998 SAD Debt	1999 SAD Debt	2004 SAD Debt	Building Authority	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 401,347
-	-	16,113	14,208	21,032	-	51,353
-	-	-	-	-	-	5,200
-	3,046	9,598	9,327	26,388	-	67,314
-	3,046	25,711	23,535	47,420	-	525,214
-	-	45,338	43,170	68,748	168,425	713,146
-	3,046	(19,627)	(19,635)	(21,328)	(168,425)	(187,932)
(27)	-	-	-	-	-	(27)
-	-	109,314	-	-	168,075	277,389
(27)	-	109,314	-	-	168,075	277,362
(27)	3,046	89,687	(19,635)	(21,328)	(350)	89,430
27	67,438	150,335	116,326	261,022	359	1,366,210
<u>\$ -</u>	<u>\$ 70,484</u>	<u>\$ 240,022</u>	<u>\$ 96,691</u>	<u>\$ 239,694</u>	<u>\$ 9</u>	<u>\$ 1,455,640</u>

Township of Grosse Ile

Other Supplemental Information Combining Balance Sheet Nonmajor Capital Projects Funds March 31, 2008

	Capital Project Improvements	1998 SAD Construction	1999 SAD Construction	Total Nonmajor Capital Projects Funds
Assets				
Cash and investments	\$ 13,435	\$ -	\$ 226,946	\$ 240,381
Receivables - Net	-	-	2,117	2,117
Total assets	<u>\$ 13,435</u>	<u>\$ -</u>	<u>\$ 229,063</u>	<u>\$ 242,498</u>
Fund Balances				
Fund Balances - Undesignated	<u>\$ 13,435</u>	<u>\$ -</u>	<u>\$ 229,063</u>	<u>\$ 242,498</u>

Township of Grosse Ile

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Capital Projects Funds Year Ended March 31, 2008

	Capital Project Improvements	1998 SAD Construction	1999 SAD Construction	Total Nonmajor Capital Projects Funds
Revenue				
Interest income	\$ 924	\$ 5,393	\$ 8,965	\$ 15,282
Expenditures - Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenue Over Expenditures	924	5,393	8,965	15,282
Other Financing Uses -				
Transfer out	<u>-</u>	<u>(109,314)</u>	<u>-</u>	<u>(109,314)</u>
Net Change in Fund Balances	924	(103,921)	8,965	(94,032)
Fund Balances - Beginning of year	<u>12,511</u>	<u>103,921</u>	<u>220,098</u>	<u>336,530</u>
Fund Balances - End of year	<u>\$ 13,435</u>	<u>\$ -</u>	<u>\$ 229,063</u>	<u>\$ 242,498</u>

TOWNSHIP OF GROSSE ILE, MICHIGAN
REPORT ON EXPENDITURES OF FEDERAL AWARDS
MARCH 31, 2008

TOWNSHIP OF GROSSE ILE, MICHIGAN

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A Professional Corporation

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Township of Grosse Ile, Michigan
Wayne County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township of Grosse Ile, Michigan's basic financial statements and have issued our report thereon dated September 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Grosse Ile, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Grosse Ile, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Grosse Ile, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Grosse Ile, Michigan's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Grosse Ile, Michigan's financial statements, that is more than inconsequential, will not be prevented or detected by the Township of Grosse Ile, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Grosse Ile, Michigan's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Grosse Ile, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the Township of Grosse Ile, Michigan in a separate letter dated September 26, 2008.

This report is intended solely for the information and use of management, the audit committee, the Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford & Co.

September 26, 2008

A Professional Corporation

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Board of Trustees
Township of Grosse Ile, Michigan
Wayne County, Michigan

Compliance

We have audited the compliance of the Township of Grosse Ile, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended March 31, 2008. The Township of Grosse Ile, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Township of Grosse Ile, Michigan's management. Our responsibility is to express an opinion on the Township of Grosse Ile, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township of Grosse Ile, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township of Grosse Ile, Michigan's compliance with those requirements.

In our opinion, the Township of Grosse Ile, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 2008.

Internal Control Over Compliance

The management of the Township of Grosse Ile, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Township of Grosse Ile, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Township of Grosse Ile, Michigan's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township of Grosse Ile, Michigan's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Township of Grosse Ile, Michigan as of and for the year ended March 31, 2008, and have issued our report thereon dated September 26, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Township of Grosse Ile, Michigan's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the audit committee, the Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hungerford & Co.

September 26, 2008

TOWNSHIP OF GROSSE ILE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2008

Federal Agency/Pass-Through Agency/Program Title	CFDA Number	Award Amount	Federal Expenditures
Major Program			
U.S. Environmental Protection Agency Passed Through Michigan Department of Environmental Quality Capitalization Grants for State Revolving Funds	66.458		
Project No. 5203 - 02		\$ 4,695,584	\$ 311,696
Project No. 5203 - 03		4,435,383	7,331
Total Major Program		9,130,967	319,027
Other Federal Awards			
U.S. Department of Housing and Urban Development Passed Through Wayne County Community Development Division Community Development Block Grants	14.219		
Project No. 04-09-03F - ADA Compliance		55,000	54,984
Project No. 05-09-03K - Street Improvements		58,000	58,000
Project No. 06-09-05A - Senior Alliance		18,400	3,223
Project No. 06-09-03K - Street Improvements		38,200	38,200
Project No. 06-09-20 - Planning		12,000	11,518
Project No. 07-09-05A01 - Senior Activities		30,240	15,737
Project No. 07-09-05A02 - Senior Alliance		1,750	1,750
Total U.S. Department of Housing and Urban Development		213,590	183,412
U.S. Department of Natural Resources Passed Through Michigan Department of Natural Resource Arbor Day Mini Grant	10.664		
Project No. AD 07-28		200	200
U.S. Department of Justice Bulletproof Vest Partnership Program	16.607		
Project No. N/A - 2007		1,884	184
Organized Crime Drug Enforcement Task Force	16.UNKNOWN		
Project No. N/A - 2006-07		15,573	6,231
Project No. N/A - 2007-08		15,854	10,405
Total Organized Crime Drug Enforcement Task Force		31,427	16,636
Passed Through Michigan Department of State Police Enforcing Underage Drinking Laws Program			
Project No. JJ-08-01	16.727	45,000	13,431
Passed Through Downriver Community Conference Public Safety Partnership and Community Policing Grants	16.710		
Project No. PT-07-24		13,202	11,027
Project No. Unknown		21,167	21,167
Project No. PT-08-05		35,000	9,532
Total Passed Through Downriver Community Conference		69,369	41,726
Total U.S. Department of Justice		147,680	71,977
U.S. Department of Transportation Passed Through Michigan Department of State Police Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	20.601		
Project No. AL-07-07		30,000	23,324
Total Other Federal Awards		391,470	278,913
Total Federal Awards		\$ 9,522,437	\$ 597,940

See notes to schedule of expenditures of federal awards

TOWNSHIP OF GROSSE ILE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 -

The accompanying Schedule of Expenditures of Federal Awards includes federal grant activity of the Township of Grosse Ile, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations".

NOTE 2 -

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

NOTE 3 -

The program with total funds expended of \$300,000 or more (Type A programs) was Capitalization Grants for State Revolving Funds. This Type A program was not considered low-risk and was required to be tested as a major program. The Township qualified as a low-risk auditee. Therefore, 25% of total federal awards expended were tested as major programs. The Capitalization Grants for State Revolving Funds program also satisfied this requirement.

TOWNSHIP OF GROSSE ILE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: (unqualified, qualified, adverse, or disclaimer)

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: (unqualified, qualified, adverse, or disclaimer)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

66.458

Capitalization Grants for State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 x yes _____ no

TOWNSHIP OF GROSSE ILE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2008

(Continued)

Section II – Financial Statement Findings

No matters to be reported.

Section III – Federal Award Findings and Questioned Costs

No matters to be reported.

TOWNSHIP OF GROSSE ILE, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED MARCH 31, 2008

FEDERAL PROGRAM	FINDINGS	QUESTIONED COSTS
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Prior Year Finding

None.

TOWNSHIP OF GROSSE ILE
LETTER OF COMMENTS AND RECOMMENDATIONS
MARCH 31, 2008

A Professional Corporation

Board of Trustees
Grosse Ile Township, Michigan

We have audited the financial statements of the Township of Grosse Ile for the year ended March 31, 2008. As part of our audit, we reviewed the Township's accounting procedures and system of internal control.

The objectives of an internal control system are to provide reasonable, but not absolute, assurance as to 1) the safeguarding of assets against loss from unauthorized use or disposition, 2) proper division of duties between various employees to provide a reasonable check upon transactions and, 3) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The following comments and recommendations are presented for your consideration:

OTHER POSTEMPLOYMENT BENEFITS

For a number of years we have commented on the Township's providing health, dental and life insurance benefits to full-time employees upon retirement. The benefits are known as "Other Postemployment Benefits," or OPEB. The Township's contributions for OPEB are currently financed on a pay-as-you-go basis.

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how local governments should account for and report their costs and obligations related to OPEB. The statement generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations in essentially the same manner as they currently do for pensions. OPEB costs will be based on actuarially determined amounts that, if paid on an ongoing basis, would provide sufficient resources to pay benefits as they come due. Medium-sized governments are required to implement the requirements of Statement No. 45 for periods beginning after December 15, 2007, with earlier implementation encouraged.

Client Response: The provisions of GASB Statement No. 45 will be implemented for the fiscal year ending March 31, 2009.

DPW - INVENTORY

A complete physical inventory of supplies, parts and materials at the various storage facilities has not been taken in several years and there has been no change to the inventory balance on the general ledger. An inventory is required to maintain proper internal control over the items and should be taken at the end of each fiscal year.

We again recommend that the DPW establish procedures to ensure that an inventory is taken as of March 31 of each year.

Client Response: The Township will be undergoing an accounting software system conversion effective January 1, 2009. The new software will include an inventory module that will facilitate the additional internal controls necessary for the DPW inventory.

DEBT SERVICE FUNDS

As of March 31, 2007, the Township had four special assessment debt funds in which the final bond payments have been made and the total amount collected on the assessments was more than 5% of the original tax roll. For the 1993 Special Assessment District Debt, the 1995 Special Assessment District Debt, the 1995 Series B Special Assessment District Debt and the 1996 Special Assessment District Debt, the Township is required to refund this surplus to the persons who are owners of record on the date of the passage of the Township resolution ordering the refund. Any surplus less than 5% may be transferred to the Township's general fund.

We again recommend that the Township pass the appropriate resolution and issue the required refunds to the property owners in a timely fashion. In addition, any surplus below 5% should be transferred to the general fund and the debt service funds closed.

Client Response: The Township administration is in the process of determining the amount due to each property owner and ensuring that there are no outstanding maintenance issues that need to be resolved related to the road improvements funded by these special assessments.

CAPITAL PROJECT FUNDS

During the years ended March 31, 2005 through 2007, there was a capital project fund that had no activity except for interest income earned on its bank account. As of March 31, 2007, the 1998 Special Assessment District Construction Fund had an accumulated fund balance of \$103,921. The project for which this fund was established has been completed. We recommended that the assets and related fund balance in this capital project fund be transferred to the related debt service fund and the fund closed.

Action Taken: During the year ended March 31, 2008, the bank account was closed and the funds transferred to the related 1998 Special Assessment District Debt Fund.

During the last several years, the 1999 Special Assessment District Construction Fund also had no activity except for interest income earned on its bank account, which resulted in a cumulative fund balance of \$220,098 at March 31, 2007. The related project is complete. However, the Township is still anticipating a final bill of approximately \$100,000 from a vendor for the last phase of the construction work. We recommended that the Township actively research its account status with this vendor to resolve the matter in a timely fashion. Once this issue is resolved, the assets and related fund balance in this capital project fund should be transferred to the related debt service fund and the fund closed.

Action Taken: None. The 1999 Special Assessment District Construction Fund has a cumulative fund balance of \$229,063 at March 31, 2008. We again recommend that the status of any outstanding bills be resolved and that the assets and related fund balance in this capital project fund be transferred to the related debt service fund and the fund closed.

During the years ended March 31, 2006 and 2007, there was a capital project fund that had no activity except for interest income earned on its bank account. As of March 31, 2007, the Grosse Ile/Trenton 98 Sewer Plant Project Fund had an accumulated fund balance of \$35,871. The project for which this fund was established has been completed. The expenditures for this project exceeded the bond proceeds and the additional costs were covered by the Department of Public Works fund. Therefore, we recommend that the assets and related fund balance remaining in this capital project fund be transferred to Department of Public Works fund as reimbursement and the fund closed.

Action Taken: During the year ended March 31, 2008, the bank account was closed and the funds transferred to the Department of Public Works fund.

During the year ended March 31, 2008, there was a capital project fund that made its final transfer of the proceeds from general obligation limited tax bonds issued in 2003 to the municipal airport fund. The bond proceeds are to be used for airport capital improvements. The purpose for which this fund was established has been completed. The only remaining asset in this fund is a bank account with a balance of \$13,435. We recommend that the asset and related fund balance in this capital project fund be transferred to the general fund for capital improvement needs and the fund closed.

FUND DEFICITS

As of March 31, 2007, the Township had accumulated fund deficits in several individual funds. The Township is in violation of Public Act 621 of 1978. In accordance with Public Act 621 of 1978, we recommended that the Township formulate deficit reduction plans and submit them to the Michigan Department of Treasury.

The Township's fund deficits and corrective action plans were as follows: The Downtown Development Authority had a deficit of \$217,394, which will be eliminated in future years as property tax collections are received. Water's Edge Country Club has an unrestricted fund deficit of \$279,709 that will be eliminated in future years with the reorganization of the entire operation, including staff reductions, consolidations and rate restructuring that will hopefully increase membership and facility usage.

Action Taken: The accumulated deficit in the Downtown Development Authority (due to GASB 34 implementation) was reduced to \$181,260 with the 2007 tax levy. The deficit in the Water's Edge Country Club increased to \$339,672. These deficits will continue to be eliminated in future years as outlined above. The Township's corrective action plan remains in effect as outlined above.

COMPUTER CONTROLS

During our audit for the year ended March 31, 2008, we became aware of several instances of overrides in the payroll system as well as the unauthorized purging of historical information. All payroll information has been corrected. We recommend that the payroll program and related computer controls be evaluated and revised to prevent overrides in the payroll system by all personnel and to improve the controls over the security of and access to programs and data.

MUNICIPAL AIRPORT CUSTOMER SECURITY DEPOSITS

During our review of the Municipal Airport customer deposit balance as of March 31, 2008, we noted that a current detail ledger of the individuals and businesses that have deposits held by the airport was not available to reconcile to the total amount on the trial balance. We recommend that the Township review its records and compile a customer listing of current deposit balances. This schedule should be updated continuously to maintain the necessary detail to substantiate the customer deposit account balance. In addition, the total customer deposit account balance should be adjusted to agree with the detail customer listing.

Action Taken: The customer records of the municipal airport were reviewed and a detail listing of deposits held by the airport was compiled as of September 19, 2008. This resulted in a reduction of the customer account balance of \$23,347 as of that date. The balance will be adjusted accordingly to reflect actual security deposits on hand.

SUMMARY

Record keeping procedures are fundamentally sound and reliable. The employees responsible for these functions were cooperative in answering questions and providing documentation required during our audit.

We would like to thank the Board for this opportunity to again serve as your auditors. As you know, we are available throughout the year to answer questions or work on special projects at your request.

Hungerford & Co.

September 26, 2008